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No. 15-375

IN THE

Supreme Court of the United States

SUPAP KIRTSAENG DBA BLUECHRISTINE99,
Petitioner,

v.

JOHN WILEY & SONS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR PETITIONER

Sam P. Israel
Eleonora Zlotnikova
SAM P ISRAEL, P.C.
1 Liberty Plaza
35th Floor
New York, NY 10006

E. Joshua Rosenkranz
Counsel of Record
Annette L. Hurst
Lisa T. Simpson
Thomas M. Bondy
Andrew D. Silverman
Christopher J. Cariello
ORRICK, HERRINGTON & SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10019
(212) 506-5000
jrosenkranz@orrick.com

Counsel for Petitioner

QUESTION PRESENTED

Section 505 of the Copyright Act provides that "the court may ... award a reasonable attorney's fee to the prevailing party." 17 U.S.C. § 505. This Court held in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), that courts must apply § 505 evenhandedly to plaintiffs and defendants to encourage parties to litigate meritorious claims and defenses. And it endorsed a case-by-case exercise of discretion informed by various "considerations" to yield results "faithful to the purposes of the Copyright Act." *Id.* at 534 & n.19.

The question presented is whether the Second Circuit erred in adopting a standard that emphasizes the objective reasonableness of the losing party's position over all other factors, which unduly limits district court discretion and systematically favors copyright plaintiffs.

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OPINIONS AND ORDERS BELOW

The opinion of the court of appeals affirming the denial of Kirtsaeng's fee request is reported at 605 F App'x 48 and reprinted at Pet. App. 1a-5a. The district court's opinion is reported at 2013 WL 6722887 and reprinted at Pet. App. 6a-24a.

JURISDICTION

The court of appeals entered judgment on May 27, 2015. On August 17, 2015, Justice Ginsburg extended the time for filing a petition for a writ of certiorari to and including September 24, 2015. The petition for a writ of certiorari was timely filed on September 24, 2015, and granted on January 15, 2016. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTE INVOLVED

Section 505 of the Copyright Act, 17 U.S.C. § 505, provides:

> In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

INTRODUCTION

If not Supap Kirtsaeng, then who?

The first time Kirtsaeng appeared before this Court, he brought with him a whale of an issue: Whether the Copyright Act's venerable first-sale doctrine, codified at 17 U.S.C. § 109(a), applies to foreign-made copies. The stakes were massive, and not just for Kirtsaeng, but for the country. An estimated $2.3 trillion worth of goods per year. 200 million books. Foreign masterworks by the likes of Matisse and Picasso. All of that and more was hanging in the balance. And by that point, Kirtsaeng had already laid all he had on the line to litigate against John Wiley & Sons, Inc. ("Wiley"), a copyright goliath, in both the district court and Second Circuit, and he had lost both times. The odds were beyond long: Every circuit holding and every major treatise was against him. But Kirtsaeng prevailed, and thus brought one of the Copyright Act's fuzziest borders into focus.

The issue here is whether Kirtsaeng deserves attorney's fees—specifically, the standard by which courts should make that determination. Section 505 of the Copyright Act ("the Act") provides that a district court "may" award fees to a prevailing party. This Court explained in *Fogerty v. Fantasy, Inc.* that Congress intended that "defendants who seek to advance ... meritorious copyright defenses should be encouraged to litigate them," because "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." 510 U.S. 517, 527 (1994). The Court directed district courts to bear this

"consideration[]" in mind when exercising their discretion under § 505. *Id.* at 534.

So truly: If not the Kirtsaengs of the world, who could Congress have been interested in encouraging to press on with a meritorious defense?

But when Kirtsaeng moved for fees, the district court denied the request. The fulcrum of the district court's opinion was that Wiley's position was not "objectively unreasonable." Under Second Circuit law, the district court was obliged to assign that factor "substantial weight." With that standard already tilting the scale far towards Wiley, the district court devoted less than a sentence to Kirtsaeng's substantive positions, the result he obtained, the victory's wide-ranging impact, and the financial imbalance he confronted. By dint of the Second Circuit's standard, all that seemed to matter—in applying a statute focused on *encouraging* meritorious claims and defenses—was making sure not to *discourage* a wealthy, sophisticated plaintiff from filing a losing, but not completely unreasonable, claim. The Second Circuit summarily affirmed.

The Second Circuit's standard is wrong. A rule that *mandates* the weight of a particular factor in every single case restricts district court discretion to consider relevant factors and assign them relative weights in a given case—which is the quintessence of discretion. The Second Circuit's standard also ignores this Court's teaching in *Fogerty*, which rejected the "dual standard" that explicitly favors plaintiffs (who were presumptively entitled to fees) over defendants (who could secure fees only if the plaintiff was

blameworthy). Because the Second Circuit's "objective reasonableness" standard, too, is keyed to blameworthiness, it does implicitly what the disgraced dual standard did explicitly. Prevailing plaintiffs will almost always be able to show that infringing defendants are blameworthy simply because they are infringers, whereas prevailing defendants will struggle to show that plaintiffs' claims are frivolous. So the game is rigged for plaintiffs in just the way *Fogerty* rejects.

So what standard will best honor Congress's intent in promulgating § 505? In keeping with *Fogerty* and the congressional aims this Court identified there, this Court should hold (as the Ninth and Eleventh Circuits have) that an award of fees under § 505 is generally appropriate where the prevailing party's litigation has advanced the purposes of the Copyright Act. The greater the extent to which a result has directly promoted creation or dissemination, or clarified the Act's contours, the more compelling will be the case for a fee award. But in all events, the district court's ultimate determination as to whether fees are appropriate under this standard in a given case must be based on the totality of the circumstances, taking into account any equitable factors that are relevant and "faithful to the purposes of the Copyright Act." *Fogerty*, 510 U.S. at 534 n.19.

The Second Circuit's decision should be reversed.

STATEMENT OF THE CASE

Wiley Accuses Kirtsaeng Of Copyright Infringement

Supap Kirtsaeng, a citizen of Thailand, was living in the United States and studying math. Pet. App. 34a. He "paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return." *Id.* That is what he is doing now, having earned his undergraduate degree and Ph.D. *Id.*

While studying here, Kirtsaeng noticed that textbooks sold in the U.S. had virtually identical foreign editions, sold abroad at lower prices. After learning of the price discrepancies, "Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops ... and mail them to him in the United States." *Id.* "Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit." *Id.*

Some of these textbooks were published by John Wiley & Sons, Inc. Wiley is a global, publicly traded publishing company with 4900 employees and annual revenues surpassing $1.82 billion. John Wiley & Sons, Inc., Annual Report (Form 10-K), at 4, 14 (Apr. 30, 2015), http://tinyurl.com/Wiley10K-FY15. It publishes a range of textbooks both in the United States and abroad. Pet. App. 32a-33a. Wiley engaged in rampant price discrimination: It would set a high price for its textbooks sold in the United States, where the population was less price-sensitive, and would sell

"essentially equivalent" versions overseas for less. Pet. App. 34a.

Kirtsaeng was not the only one who saw opportunity in the market imbalance; nor was he anywhere near the biggest. Billions of dollars of goods cross U.S. borders premised on this same practice. The last time the issue came to this Court, the defendant was Costco. *See Costco Wholesale Corp. v. Omega S.A.*, 131 S. Ct. 565 (2010). But the textbook industry was set on building a body of first-sale precedent. So it devised a strategy of filing cases against bit players like Kirtsaeng—particularly foreign students.[1] Wiley sued Kirstaeng for copyright infringement. Pet. App. 35a.

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[1] *See, e.g.*, Complaint, *John Wiley & Sons, Inc., McGraw-Hill Cos., Inc., Pearson Educ., Inc. & Cengage Learning, Inc. v. Rivandeneyra, et al.*, No. 2:13CV1085, 2013 WL 875539 (D. N.J. Feb. 22, 2013); First Amended Complaint, *McGraw-Hill Cos., Inc., Pearson Educ., Inc. & Cengage Learning, Inc. v. Jones, et al.*, No. 12-cv-7085 (AJN), 2012 WL 6949287 (S.D.N.Y. Oct. 11, 2012); Amended Complaint, *John Wiley & Sons, Inc., Cengage Learning, Inc. & McGraw-Hill Cos., Inc. v. Hung*, No. 11 Civ. 9506 (PAC), 2012 WL 3019484 (S.D.N.Y. 2012); *Pearson Educ., Inc. v. Liu*, 656 F Supp. 2d 407, 408 (S.D.N.Y. 2009); *Pearson Educ., Inc., John Wiley & Sons, Inc., Cengage Learning Inc. & McGraw-Hill Cos., Inc. v. Kumar, et. al.*, 721 F. Supp. 2d 166 (S.D.N.Y. 2010); *Pearson Educ., Inc., John Wiley & Sons, Inc., Cengage Learning, Inc. & McGraw-Hill Cos., Inc. v. Arora, et al.*, 717 F. Supp. 2d 374 (S.D.N.Y. 2010); Amended Complaint, *John Wiley & Sons, Inc. & McGraw-Hill Cos., Inc. v. Shumacher, et al.*, No. 109-cv-02108, 2009 WL 3219590 (S.D.N.Y. 2009); Complaint, *Pearson Educ., Inc. & John Wiley & Sons, Inc. v. Erlichman, et al.*, No. 108CV04550, 2008 WL 2755706 (S.D.N.Y. 2008); Complaint, *Cengage Learning, Inc. v. Buckeye Book, et al.*, No. 07CIV8540, 2007 WL 4837820 (S.D.N.Y. 2007).

Kirtsaeng Unsuccessfully Mounts A First-Sale Defense

Kirtsaeng countered with the first sale doctrine. *See* 17 U.S.C. § 109(a). Under the first sale doctrine, someone who lawfully buys a copy of a work is "free to dispose of [that copy] as they wish"—in other words, after the "first sale," the copyright owner's rights are exhausted. Pet. App. 30a; *see generally Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).

The problem was that courts had long ago rejected that argument. The first sale doctrine applies only to copies "lawfully made under this title," 17 U.S.C. § 109(a)—that is, Title 17, the Copyright Act. Numerous courts had concluded that this limitation excluded copies made abroad. *See Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996) ("[U]nder the law of the circuit, § 109 applies to copies made abroad only if the copies have been sold in the United States by the copyright owner or with its authority."); *Columbia Broad. Sys., Inc. v. Scorpio Music Distribs., Inc.*, 569 F. Supp. 47, 49 (E.D. Pa. 1983), *aff'd without op.*, 738 F.2d 421 (3d Cir. 1984). Every circuit to resolve the question had ruled against Kirtsaeng's position. And every major copyright treatise agreed Kirtsaeng was wrong. Pet. App. 113a (noting that "none of the three major treatises on U.S. copyright law embrace[d]" Kirtsaeng's position).

Against all odds—not to mention a sophisticated opponent with a massive warchest—Kirtsaeng chose to press his defense. After a year of litigation, the district court sided with Wiley. It held that the first sale doctrine did not apply to foreign-manufactured

works. Pet. App. 156a-87a. The jury found Kirtsaeng liable for willful infringement of Wiley's copyrights. Pet. App. 35a. It awarded Wiley statutory damages of $75,000 per work, for a whopping $600,000. Pet. App. 35a. That was more than 16 times Kirtsaeng's $37,000 in revenues from the sale of Wiley's books and presumably many times his profits. Pet. App. 161a. Because this judgment was beyond Kirtsaeng's means, Wiley persuaded the district court to order him to turn over personal property to satisfy the judgment, including his computer, printer, and golf clubs. JA 8.

Kirtsaeng fought on, appealing to the Second Circuit. In a divided decision, the panel affirmed. Like the district court, the majority held that the "first sale" doctrine does "not [apply] to foreign manufactured works." Pet. App. 140a.

Meanwhile, as Kirtsaeng was litigating his case, his chances of success were becoming more and more remote. While his appeal was pending before the Second Circuit, two more district courts had rejected a first-sale defense in connection with foreign-made copies. *See Pearson Educ., Inc. v. Liu*, 656 F Supp. 2d 407, 416 (S.D.N.Y 2009); *Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, at *3-4 (S.D.N.Y. May 13, 2008). The Ninth Circuit had also reaffirmed its rule that the first sale doctrine did not apply to foreign-made copies, *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), and although this Court granted review, it divided evenly and affirmed, *Costco Wholesale Corp.*, 131 S. Ct. 565.

This Court Vindicates Kirtsaeng's Position, Clarifying The First-Sale Doctrine

Kirtsaeng retained additional counsel pro bono and petitioned for this Court's review. Wiley countered with Ted Olson.

The Court granted the petition to address the scope of the "first sale" doctrine. Pet. App. 29a-69a (*Kirtsaeng I*). In a 6-3 decision, the Court reversed the Second Circuit, vindicating Kirtsaeng's position by holding that the "first sale" doctrine applies to a copy of a work regardless of where the copy is manufactured or sold, so long as the copy in question was made in compliance with the Copyright Act. *Id.* Once such a copy is sold, the copyright owner's rights are extinguished. *Id.*

As the majority opinion makes plain, the practical import of this decision was not at all lost on the Court. Pet. App. 52a-56a. In large part, it was Kirtsaeng and an unusually large and diverse group of amici that brought these implications to light. "Associations of libraries, used-book dealers, technology companies, consumer-goods retailers, and museums point[ed] to various ways in which [Wiley's position] would fail to further basic constitutional copyright objectives, in particular 'promot[ing] the Progress of Science and useful Arts.'" Pet. App. 52a (quoting U.S. Const., art. I, § 8, cl. 8); *see* JA 84-85. As this Court recognized, "American retailers buy many [foreign] goods after a first sale abroad." Pet. App. 54a. Those sales amount to "over $2.3 trillion worth of foreign goods," and "American sales of more traditional copyrighted

works, 'such as books, recorded music, motion pictures, and magazines' likely amount to over $220 billion." Pet. App. 54a. Everything from museum pieces to "automobiles, microwaves, calculators, mobile phones, tablets, and personal computers" contain copyrightable work that may be imported after a first sale abroad. Pet. App. 53a-54a. For entities in those businesses, "reliance upon the 'first sale' doctrine is deeply embedded." Pet. App. 56a. And the "practical problems" with not adopting Kirtsaeng's position were simply "too serious, too extensive, and too likely to come about" for this Court to "dismiss ... as insignificant." Pet. App. 57a-58a.

But none of those consequences came to pass, because although Kirtsaeng had litigated and lost, and then litigated and lost again, he soldiered on and prevailed.

Kirtsaeng Is Denied Attorney's Fees

On remand, the Second Circuit acknowledged that Kirtsaeng's first sale defense foreclosed Wiley's claims. Pet. App. 28a. Back in the district court, Kirtsaeng sought his reasonable attorney's fees as the prevailing party under § 505. The district court denied the fee motion outright, reasoning that no fee award was appropriate and therefore not reaching the question of the appropriate amount of any award. Pet. App. 6a-24a.

The engine of the district court's decision was its finding that Wiley's legal theory was not "objectively unreasonable." Pet. App. 12a. This focus, the court explained, was dictated by Second Circuit precedent

that "emphasized in particular the importance of ... objective unreasonableness." Pet. App. 10a. The remainder of its analysis was then directed at whether any other factors "outweigh[] the substantial weight accorded to the objective reasonableness of Wiley's ultimately unsuccessful claim." Pet. App. 18a. The court acknowledged briefly that "Kirtsaeng's successful defense against Wiley's claim clarified the contours of the Copyright Act," Pet. App. 17a, and that Kirtsaeng obtained a "degree of ... success," Pet. App. 17a. It also noted that Kirtsaeng overcame a "large financial disparity" between the parties. Pet. App. 24a. But ultimately, for the district court, none of this mattered because it could not overcome the "substantial weight" the court was required to accord Wiley's non-frivolous claim under Second Circuit law.

Kirtsaeng appealed and the Second Circuit affirmed. It reiterated that binding Second Circuit precedent required the district court's placement of "'substantial weight' on the reasonableness" of a losing party's claim. Pet. App. 4a (quoting *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001)). And it reaffirmed its presumption that "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Id.* (quoting *Matthew Bender*, 240 F.3d at 122). About the risk Kirtsaeng took in pressing his position; the feat of overcoming an imbalance of litigation resources; the long-shot Supreme Court victory and its pathbreaking clarification of the law; and the narrowly averted array of deleterious consequences identified by this Court, the Second Circuit offered not a single word.

SUMMARY OF THE ARGUMENT

I. This Court addressed § 505's text and underlying purpose in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994). There, it rejected the "dual standard" for awarding attorney's fees, which favored prevailing plaintiffs over prevailing defendants. The Court explained that Congress enacted § 505 to "encourage[]" both plaintiffs "to litigate meritorious claims of infringement" and defendants "to advance a variety of meritorious copyright defenses." *Id.* at 527. Congress wanted to encourage such positions because prevailing on them ensures "that the boundaries of copyright law [are] demarcated as clearly as possible" and directly serves the Act's twin goals of creation and dissemination. *Id.* Section 505 must be applied, the Court explained, with these "considerations" in mind, and courts should consider any relevant factor "so long as such factors are faithful to the purposes of the Copyright Act." *Id.* at 534 & n.19.

Although this Court did not prescribe a substantive standard in *Fogerty*, three principles informing that question can be distilled from the opinion. First, any standard must be evenhanded. Second, the standard must not pretermit district court discretion to consider and weigh any relevant factor. And third, the inquiry as a whole must be focused on advancing the goals of the Copyright Act, and in particular on encouraging optimal levels of meritorious litigation—both claims and defenses.

II. The Second Circuit's § 505 standard—which requires district courts, in every case, to give "substantial weight" to whether the losing party's position

was "objectively reasonable"—is fundamentally at odds with *Fogerty*, and nothing in either the Copyright Act or this Court's case law supports it.

The first problem is that it displaces a district court's elemental discretion to assign relative weights to factors in evaluating the appropriateness of a fee award. This Court has consistently rejected fee standards that rig the scale through presumptions or interpretive gloss with no support in the provision's text or the larger goals of the relevant statute. It is particularly telling in this regard that the Second Circuit's standard mirrors the standard that applies to fee shifting statutes (in, for example, the patent and trademark contexts) that limit district court discretion to "exceptional cases." The Second Circuit standard ignores Congress's deliberate decision not to impose such a limitation in § 505.

The Second Circuit standard also flouts *Fogerty*'s evenhandedness principle. The reason is that it is based not on encouraging good positions, but on punishing bad ones. Under a punishment-based approach, a defendant who has infringed will virtually *always* be found to have done something blameworthy; but a plaintiff who wrongly accuses a defendant of infringement will be viewed as blameworthy only if the lawsuit is frivolous. So the pre-*Fogerty* imbalance persists.

Some courts, including the district court here, have tried to defend the Second Circuit's presumption on the ground that "novel cases require a plaintiff to sue in the first place," Pet. App. 18a (emphasis and quotation marks omitted). So, the thinking goes, even

if the prevailing defense is one § 505 was enacted to encourage, the plaintiff deserves part of the credit, too, and should not be deterred from bringing suit. To be sure, courts should consider the litigation incentives on both sides when evaluating a fee request. But the same incentives do not apply in every case. In a given case, the strength of the claim, the cost of litigating it, the potential recovery in the event of victory, and the relative resources of the parties will all inform the incentive structure. So it makes no sense at all to identify one such factor that might apply in some cases and turn it into a presumption given "substantial weight" in all of them.

Although neither Wiley nor any court has ever suggested otherwise, we note for the sake of completeness that *Martin v. Franklin Capital Corp.*, 546 U.S. 132 (2005), does not support the Second Circuit standard. The standard in *Martin*, which allows for a fee award only where the losing party "lacked an objectively reasonable basis" for its position, is based on the particular objectives of the federal removal statute and its attorney's fee provision. *Id.* at 141. Section 505, *Fogerty* makes clear, is based on entirely different objectives, so *Martin*'s holding is inapposite.

III. This Court should hold, as the Ninth and Eleventh Circuits do, that a fee award under § 505 is ordinarily appropriate where the prevailing party achieved a result that advanced the purposes of the Copyright Act—that is, advanced the goals of creation and dissemination of creative works.

This Court has explained that where a federal fee-shifting provision does not identify a standard, the

discretion it grants must be guided by "'the large objectives' of the relevant Act." *Indep. Fed'n of Flight Attendants v. Zipes*, 491 U.S. 754, 759 (1989) (quoting *Albemarle Paper Co. v. Moody*, 422 U.S. 405, 416 (1975)). The goal of the Copyright Act is to encourage creation and dissemination of creative works; it accomplishes this by granting authors a private entitlement to profit from their work, but limiting that entitlement so as to enable dissemination and public access. As *Fogerty* explains, meritorious copyright litigation can further these ends by compensating authors and incentivizing further authorship (when the plaintiff wins), increasing access to works (when the defendant does), or demarcating the Act's boundaries (no matter who wins). Congress crafted § 505 to encourage that sort of litigation, and the best way of doing so is a standard aimed directly at furthering the Act's purposes.

Such a standard does not automatically entitle any prevailing party in a copyright case to a fee award. The extent to which a result advances the Act's purposes is a case-by-case determination. A case of seismic significance for a particular industry, or one that settles a substantive legal issue with broad applicability, likely falls on the more deserving end of the spectrum. A case with only localized significance, or one that turns on a technical issue like copyright formalities or the statute of limitations, will likely rest on the less deserving side. But there is no formula or rule—in each case, the prevailing party will have to demonstrate how her position advanced the Act's objectives, and the district court will have to weigh competing factors.

The purposes-of-the-Act standard encourages this broad inquiry. Case law applying it has considered an array of equitable factors, including the nature, quality, and effect of the result; the strength of the parties' substantive positions; the parties' motivations; the array of litigation incentives at play; and the parties' relative resources. A district court may properly consider each of these factors, and potentially more in light of case-specific considerations, in making a case-by-case attorney's fees determination under § 505.

IV. The other two standards adopted by the courts of appeals, while not as flawed as the Second Circuit standard, are nevertheless no match for the purposes-of-the-Act standard in terms of their faithfulness to both the text of § 505 and the large objectives of the Copyright Act.

The Fifth and Seventh Circuits both apply a strong presumption that the prevailing party is entitled to fees. Although these presumptions are based on litigation incentives that may well apply in many or most cases, they are nevertheless inconsistent with this Court's repeated admonitions that the fee inquiry is inherently a case-by-case determination. The Third, Fourth, and Sixth Circuits, meanwhile, hardly apply any standard at all, calling instead for an unguided consideration of all relevant factors. District courts should indeed consider all relevant factors, but their discretion must be guided by a touchstone informed by the objectives of the Copyright Act. Channeling district court discretion towards the purposes of the Copyright Act will advance

the Act's goals and promote consistent, predictable results.

ARGUMENT

In the Copyright Act, Congress saw fit to modify the American Rule. Section 505 of the Act says that "the court may ... award a reasonable attorney's fee to the prevailing party." 17 U.S.C. § 505. It prescribes no specific criteria for when an award might or might not be appropriate, reflecting the congressional judgment that district courts should have broad and flexible equitable discretion to award attorney's fees in appropriate copyright cases. But "discretion is rarely without limits." *Zipes*, 491 U.S. at 758-59. Some standard must guide the § 505 inquiry, and the question presented here is what that standard is.

Any discussion of § 505 must begin with its text and underlying purpose. This Court addressed both in *Fogerty v. Fantasy, Inc.* *Fogerty* mandates an evenhanded, totality-of-the-circumstances inquiry focused on encouraging meritorious copyright litigation. § I. The Second Circuit's standard is inconsistent with § 505's text and this Court's precedent. § II. The proper standard revolves around whether the result advances the purposes of the Copyright Act. § III. The various other standards that courts of appeals have applied are not as suitable. § IV

I. Section 505 Gives District Courts Flexible, Evenhanded, And Broad Discretion To Encourage Meritorious Litigation.

In *Fogerty*, this Court confronted the so-called "dual standard" that some courts of appeals had adopted in applying § 505. 510 U.S. at 533. Under the dual approach, prevailing plaintiffs in copyright infringement actions were "generally awarded attorney's fees as a matter of course, while prevailing defendants [had to] show that the original suit was frivolous or brought in bad faith." *Id.* at 520-21. This Court rejected that approach, explaining that the text of § 505 favored neither plaintiffs nor defendants. It dictated an "'evenhanded' approach" in which "[p]revailing plaintiffs and prevailing defendants are to be treated alike." *Id.* at 534, 536.

Fogerty did not specifically prescribe a substantive standard to replace the dual standard, but neither did it leave courts in the dark. As this Court has explained, where a federal fee-shifting provision does not identify a standard, the discretion it grants must be guided by "'the large objectives' of the relevant Act." *Zipes*, 491 U.S. at 759 (quoting *Albemarle Paper Co.*, 422 U.S. at 416). The opinion in *Fogerty* lights the path quite clearly.

Most illuminating is the Court's understanding of the congressional purpose animating § 505. The aim, the opinion makes clear, was not (or, at least, not only) to discourage undesirable litigation, but to encourage meritorious claims and defenses. This is a key premise underlying the Court's rejection of the rationale proffered for the "dual approach"—that, "by

awarding attorney's fees to prevailing plaintiffs as a matter of course," the approach "encourage[d] litigation of meritorious claims of copyright infringement." *Fogerty*, 510 U.S. at 525. Sure, the Court held, § 505's goal was to encourage certain types of litigation. Just not based on a "one-sided view of the purposes of the Copyright Act." *Id.* at 526. The Court emphasized that "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright." *Id.* at 527 Section 505 thus aims to "encourage[]" both plaintiffs "to litigate meritorious claims of infringement" and defendants "to advance a variety of meritorious copyright defenses." *Id.*

The Court also explained why Congress would have wanted to encourage such litigation. First, "[b]ecause copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Id.* Meritorious litigation, whether by the plaintiff or the defendant, clarifies the perimeters of copyright protection. Second, perhaps more directly, a successful claim or defense furthers the Copyright Act's goals either by rewarding creation or by enlarging public entitlement—and, in both cases, stimulating further creative work. Hence the Court's observation that, by prevailing on his defense, defendant Fogerty "increased public exposure to a musical work that could, as a result, lead to further creative pieces." *Id.*

Fogerty also explains how § 505 is meant to be applied. It explained that "[t]he word 'may' clearly connotes discretion," and so fees are not to be awarded—or, by the same token, denied—"as a matter of course." *Id.* at 533. Rather, "fees are to be awarded to prevailing parties only as a matter of the court's discretion." *Id.* at 534. In exercising that discretion, "[t]here is no precise rule or formula." *Id.* (quotation marks omitted).

What there is—in keeping with this Court's direction in *Zipes*, 491 U.S. at 759, and elsewhere—is guidance inherent in the Copyright Act and § 505's purposes. The Court specifically directed courts to apply § 505 "in light of the considerations [the Court] ... identified"—that is, the importance of meritorious copyright litigation and Congress's desire to encourage it. *Fogerty*, 510 U.S. at 534 (citation omitted). And it concluded with a footnote identifying some potentially relevant factors. Footnote 19 is so often cited that it bears reprinting in full:

> Some courts following the evenhanded standard have suggested several nonexclusive factors to guide courts' discretion. For example, the Third Circuit has listed several nonexclusive factors that courts should consider in making awards of attorney's fees to any prevailing party. These factors include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Lieb v. Topstone Indus., Inc.*, 788

> F.2d 151, 156 (1986). We agree that such factors may be used to guide courts' discretion, so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing parties and defendants in an evenhanded manner.

Fogerty, 510 U.S. at 534 n.19.

Three principles, then, can be distilled from *Fogerty*. First, any standard must not favor parties on one side of the "v." over parties on the other. Second, it must not pretermit the district courts' broad and flexible discretion to consider and weigh any relevant factor based on the totality-of-the-circumstances. And third, the inquiry as a whole must be focused on advancing the goals of the Copyright Act, and in particular on encouraging optimal levels of meritorious litigation—both claims and defenses.

Some circuits got the *Fogerty* message loud and clear. These courts have held that the proper fee standard under § 505 is focused on whether meritorious litigation has advanced the purposes of the Copyright Act—that is, creation and dissemination of creative works. *Fantasy, Inc. v. Fogerty* ("*Fogerty II*"), 94 F.3d 553, 555 (9th Cir. 1996); *MiTek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999). Under that standard, they have explained, courts are required to consider fee requests case-by-case, focusing on the extent to which the result furthered the Act's purposes, along with the *Fogerty* footnote's enumerated factors and any other relevant equitable considerations. We explain that approach in greater detail below (in § III).

But we turn first to the Second Circuit, which charted a different course.

II. The Second Circuit's *Matthew Bender* Standard Is Fundamentally At Odds With § 505's Text And Supreme Court Precedent.

The Second Circuit announced its standard in *Matthew Bender*, 240 F.3d 116. There, the court seized on the *Fogerty* footnote's "nonexclusive factors," and it plucked out one—the "objective reasonableness" of the losing party's position—to elevate over all others. *Id.* at 121-22 (quoting *Fogerty*, 510 U.S. at 534 n.19). The court held that "the objective reasonableness factor" should be accorded "substantial weight in determinations whether to award attorneys' fees." *Id.* at 121. And it suggested that "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Id.* at 122 (quotation marks omitted). It defined those purposes narrowly (and incompletely) as "to encourage the origination of creative works by attaching enforceable property rights to them." *Id.* (citation omitted).

Matthew Bender is fundamentally at odds with *Fogerty* and its reading of the statutory text in two ways: (A) it improperly pretermits district court discretion; and (B) it flouts *Fogerty*'s evenhandedness requirement. And nothing in either the Copyright Act's large objectives or this Court's case law supports it. *Infra* §§ C-D.

A. The Second Circuit's standard improperly pretermits district court discretion.

Problem one with the Second Circuit standard is that it displaces the district court's balancing of factors with its own. By endowing one factor with special weight in all cases, it interferes with the case-by-case exercise of discretion that *Fogerty* demands. It also conflicts with the statutory text by reading into it a limitation—one reminiscent of the "exceptional case" limitation contained in other fee shifting statutes—that Congress intentionally declined to impose.

1. As just explained (at 20-21), *Fogerty* could not have been more plain that the § 505 inquiry requires a case-by-case balancing of a host of relevant equitable factors. What could be more elemental to that balancing than assigning relative weights to particular factors in a given case before placing them on the scale?

Yet the Second Circuit standard dictates *in every § 505 case* that a single factor—objective reasonableness of the losing party's position—gets "substantial weight" relative to the others. *Matthew Bender*, 240 F.3d at 121-22. This Court has consistently rejected fee standards that rig the scale through such use of presumptions or interpretive gloss ungrounded in the relevant statute. *Fogerty*, 510 U.S. at 533; *see Octane Fitness, LLC, v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) (rejecting "rigid" two-part standard applied to Patent Act fee provision); *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242 (2010) (rejecting "prevailing party"

limitation as inconsistent with text of ERISA fee provision). Because the Second Circuit standard is flatly irreconcilable with § 505, *Fogerty*'s admonitions regarding district court discretion, and indeed fundamental notions of what a discretionary inquiry entails, it deserves the same fate.

Matthew Bender did not fix the problem with the empty qualification that "[i]n an appropriate case, the presence of other factors might justify an award of fees." 240 F.3d at 122. That is the very definition of a presumption: It gets substantial weight—and presumptively prevails—unless and until other factors might justify overcoming it. Elevating one consideration above all others is, in and of itself, improper under *Fogerty*. Moreover, what might read like a preference in print has become a fetish in practice—and the theoretical possibility of overcoming it has proved to be cold comfort for prevailing defendants. The Second Circuit has repeatedly affirmed district court decisions denying attorney's fees to prevailing defendants, often based solely on the determination that the losing plaintiff's position was objectively reasonable.[2] And despite the purportedly

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[2] *Russian Entm't Wholesale, Inc. v. Close-Up Int'l, Inc.*, 482 F App'x 602, 607 (2d Cir. 2012) (affirming denial of fees to prevailing copyright infringement defendants; concluding that "while [copyright holder plaintiff's] merits arguments were ultimately unpersuasive, its claims ... were neither legally nor factually unreasonable"); *Arista Records, LLC v. Launch Media, Inc.*, 344 F App'x 648, 651 (2d Cir. 2009) (affirming denial of attorney's fees to prevailing defendant because plaintiff's claims were "reasonable"); *Lava Records, LLC v. Amurao*, 354 F. App'x 461, 462 (2d Cir. 2009) (affirming denial of attorney's fees to prevailing copyright infringement defendant); *Medforms, Inc. v. Healthcare Mgmt. Sols., Inc.*, 290 F.3d 98, 117 (2d Cir. 2002)

deferential standard of review, the Second Circuit has *reversed* district court decisions *awarding* attorney's fees to prevailing defendants—again often based solely on the court's determination that the plaintiff's litigation position was objectively reasonable.[3]

Make no mistake: The Second Circuit's elevation of objective reasonableness exerts a powerful influence over the § 505 analysis. In any case where the losing party's position is non-frivolous, the scales are tipped towards that party before the rest of the analysis even begins. To confirm this, one need look no further than the opening pages of the district court's analysis here. Pet. App. 12a-13a; *supra* 10-11.

2. Congress could have drafted a statute that constrained district courts' discretion as the Second

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(affirming denial of attorney's fees to prevailing copyright infringement defendants where plaintiffs' "claims were not frivolous or objectively unreasonable, and ... there were close questions of fact and law weighing against an award to the defendants"); *Viva Video, Inc. v. Cabrera*, 9 F. App'x 77, 80 (2d Cir. 2001) (affirming partial denial of attorney's fees to prevailing defendant where losing plaintiffs' claims were not objectively unreasonable, even though plaintiff "conducted its case quite poorly and was unable to support its claims against" the defendants).

[3] *Effie Film, LLC v. Murphy*, Nos. 14-3367-CV, 15-1573-CV. 2015 WL 6079993, at *2 (2d Cir. Oct. 16, 2015) (finding that district court abused its discretion in granting fees to a prevailing defendant because copyright holder's arguments, while "without merit," were not "objectively unreasonable"); *see also Zalewski v. Cicero Builder Dev., Inc.*, 754 F.3d 95, 108 (2d Cir. 2014) (vacating award of attorney's fees and remanding after rejecting district court's determination that copyright plaintiff's litigating position was objectively unreasonable).

Circuit does. It would have said: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." That is the fee provision that Congress enacted in both the Patent Act and the Lanham Act. 15 U.S.C. § 1117(a) (Lanham Act); 35 U.S.C. § 285 (Patent Act).

The absence of an "exceptional case" limitation could hardly have been accidental—both the Patent Act and Lanham Act fee provisions were on the books when Congress enacted § 505 in 1976. Surely they were top of mind when Congress considered the optimal rule in the copyright context. Even when it comes to federal statutes generally, "the interpretation of a ... statute may be influenced by language of other statutes which are not specifically related, but which apply to similar persons, things, or relationships." *Nat'l Fed'n of Fed. Emps., Local 1309 v. DOI*, 526 U.S. 86, 105 (1999) (citation omitted). This principle applies with even more force here, given that patent, trademark, and copyright are "closely related," *Fogerty*, 510 U.S. at 525 n.12.

What exactly was Congress rejecting when it decided not to borrow the "exceptional case" standard? This Court's recent decision in *Octane Fitness*, 134 S. Ct. 1749, explains that "an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id.* at 1756. In other words, the district court is empowered to punish a party with a fee award only in cases that are "un-

common, rare, or not ordinary" because of the extraordinary weakness of the loser's position or baseness of his litigation tactics. *Id.* (citation omitted). This makes sense, because Congress's goal in the patent context, as a contemporaneous Senate Report explained, was "to enable the court to prevent a gross injustice." S. Rep. No. 1503, at 2 (1946).

What Congress was rejecting, then, was something very much like the Second Circuit standard. That standard—presumptively unsatisfied except where the losing party's position was frivolous—is Exceptional Case Light. The problem is that § 505 is not reserved for "exceptional cases," and it is not (or not only) about punishment. In fact, *Fogerty* noted and then expressly rejected an approach that treated a fee award against a plaintiff as "a penalty imposed upon the plaintiff for institution of a baseless, frivolous, or unreasonable suit, or one instituted in bad faith." 510 U.S. at 532 n.18 (quoting *Breffort v. I Had a Ball Co.*, 271 F. Supp. 623, 627 (S.D.N.Y. 1967)). By applying a punishment-based standard anyway, the Second Circuit excludes from district court discretion a *lot* of cases—so many that the cases in which district courts *do* have discretion could fairly be described as, well, exceptional. That cannot be right.

B. The Second Circuit standard flouts *Fogerty*'s evenhandedness requirement.

The Second Circuit standard also contravenes *Fogerty*'s evenhandedness principle—the requirement that § 505 encourage meritorious claims *and* defenses alike. This flaw is inherent in *Matthew Bender*'s very foundation. The court there justified

elevating objective reasonableness on the view that "the 'principal purpose of the Copyright Act is to encourage the *origination* of creative works by attaching enforceable property rights to them.'" 240 F.3d at 122 (quoting *Diamond v. Am-Law Publ'g Corp.*, 745 F.2d 142, 147 (2d Cir. 1984)) (emphasis added). That is at best half right. That is what the Copyright Act does for *copyright holders*. As discussed elsewhere (at 19, 37-38), there is a higher aim: "[C]opyright law ultimately serves the purpose of enriching the general public through access to creative works." 510 U.S. at 527 That is what the Copyright Act does for *members of the public*, who, like Kirtsaeng, provide or benefit from greater *access* to creative works. In other words, the Second Circuit's half loaf is precisely the "one-sided view of the goals of the Copyright Act" that this Court rejected in *Fogerty* as failing to take into account the important role played by copyright *defendants* in "advanc[ing] a variety of meritorious copyright defenses." *Id.*

Reasoning like the Second Circuit's has frustrated *Fogerty*'s promise. It is no secret in copyright circles that despite this Court's clear directive, "a dual standard continues to prevail." John Tehranian, *Curbing Copyblight*, 14 Vand. J. Ent. & Tech. L. 993, 1016 (2012); *see* Jeffrey Edward Barnes, Comment, *Attorney's Fee Awards in Federal Copyright Litigation After* Fogerty v. Fantasy, 47 UCLA L. Rev. 1381, 1403 (2000) ("Even with the increased frequency of fee awards to prevailing defendants, section 505 remains a two-tiered fee-shifting regime."); William F. Patry, 6 *Patry on Copyright* § 22:210 (2015). And the consensus is equally clear that the culprits are fee standards that, while on their face neutral, feature a

punishment-based standard that inherently favors plaintiffs. Patry, *supra*, § 22:210; Barnes, *supra*, at 1396 ("*Fogerty* has not changed a prevailing defendant's need to show that [the opposing party's] conduct during the course of litigation is culpable in order to win a fee award.").

The criticism of the Second Circuit's standard has been especially harsh. As one leading commentator has put it, it is nothing more than a "semantic trick used to continue to apply the dual system rejected in *Fogerty*." Patry, *supra*, § 22:210. The reason the trick works is simple: Under a punishment-based approach, a defendant who has infringed will virtually *always* be found to have done something culpable; but a plaintiff who wrongly accuses a defendant of infringement will be viewed as culpable only if the lawsuit is frivolous. That is why, despite *Fogerty*'s mandate, copyright plaintiffs have nearly always received their fees—89% of the time, according to one survey of pre- and post-*Fogerty* fee cases, Barnes, *supra*, at 1383—and copyright defendants have lagged behind—at 61% nationwide, *id.*, and far less in the Second Circuit. "Old habits die hard." Patry, *supra*, § 22:210. And two decades of experience has proven that even standards that appear evenhanded in formulation can turn out to be one-sided in practice.

This Court should finish the job that *Fogerty* started by eliminating a punishment-based touchstone that inherently favors plaintiffs.

C. The two-to-tango rationale does not justify the Second Circuit's standard.

Some courts within the Second Circuit—including the district court here—have offered an alternative rationale for elevating objective reasonableness over other factors. The argument rests on the idea that "novel cases require a plaintiff to sue in the first place." Pet. App. 18a (quoting *Canal+ Image UK Ltd. v. Lutvak*, 792 F Supp. 2d 675, 683 (S.D.N.Y. 2011)). Call it the two-to-tango theory of § 505. In essence, the court is saying to defendants like Kirtsaeng: "You really advanced the law by prevailing on your first-sale defense—and it's exactly the sort of defense § 505 is designed to advance. Kudos to you. But you couldn't have done it without getting sued. So Wiley deserves part of the credit for how you advanced the law. That factor should, therefore, be a wash." From this logic, these courts derive the rule that "a court should *not* award attorneys' fees where the case is novel or close." Pet. App. 18a (citing *Canal+*, 792 F. Supp. 2d at 683). It is like crediting Goliath for giving a shepherd a shot at fortune and fame.

It might be sensible for a court in a given case merely to consider whether a fee award to a defendant would chill meritorious cases. *E.g.*, *Fogerty II*, 94 F.3d at 560 (noting that under the purposes-of-the-Act standard a court may consider "the chilling effect of attorney's fees ... on an impecunious plaintiff"); *see infra* 48-50. Every fee award should be evaluated in terms of the litigation incentives at play on both sides in any particular litigation. But the Second Circuit in *Matthew Bender* stretched this bit of sense, potentially applicable in some cases, into a

presumption that applies *in all cases*—which makes no sense. The same incentives do not apply in every case. It is easy to see how the potential to chill a claim could be anywhere from meaningless to dispositive depending on other relevant factors.

What if a win is extremely valuable to the plaintiff? Suppose, for example, a win promised a huge damages award, or perhaps that it carried some legal significance important to the plaintiff's business model. Then the risk of a fee award in the event of a loss would be swamped by the promise of success (and, indeed, the potential promise of *receiving* fees). *See FM Indus., Inc. v. Citicorp Credit Servs., Inc.*, 614 F.3d 335, 339-40 (7th Cir. 2010) ("Damages and equitable relief encourage copyright proprietors to enforce their rights, whether or not they get attorneys' fees too."). Or what if the plaintiff enjoys a huge advantage in sophistication and resources over the defendant? Then—whether its claim is solid but not clearly meritorious, or just marginal—the plaintiff would be undeterred, confident that the defendant is likely to capitulate and settle.[4]

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[4] Wiley is familiar with such dynamics. *See, e.g.*, Complaint, *John Wiley & Sons, Inc. v. John Doe Nos. 1-44*, No. 12-CV-1568, 2012 WL 870299 (S.D.N.Y. 2012); Amended Complaint, *John Wiley & Sons, Inc. v. Ng*, No. 11-Civ-7627 (WHP), 2012 WL 1611326 (S.D.N.Y. 2012); Complaint, *John Wiley & Sons, Inc. v. John Doe Nos. 1-21*, No. 12-CV-4730, 2012 WL 2566389 (S.D.N.Y. 2012); Complaint, *John Wiley & Sons, Inc. v. John Doe Nos. 1-35*, No. 12-CV-2968, 2012 WL 1389735 (S.D.N.Y. 2012); Complaint, *John Wiley & Sons, Inc. v. John Doe Nos. 1-30*, No. 12-CV-3782, 2012 WL 1834871 (S.D.N.Y. 2012); Amended Complaint, *John Wiley & Sons, Inc. v. Williams*, No. 12-Civ-0079 (PKC), 2012 WL 3019463 (S.D.N.Y. 2012); Amended Complaint,

Conversely, what about what is at stake for the defendant? In many cases, it could be nothing other than avoiding a damage award. *See id.* ("A defendant who prevails ... vindicates the public's interest ..., but without an award of fees the prevailing defendant has only losses to show for the litigation."). And the greater its potential exposure—say, to statutory damages, or a willfulness finding if its legal defense fails—the more pressure there is on the defendant to "throw in the towel." *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004). The need to encourage such a defendant will often outweigh the need to avoid chilling the plaintiff. Not always, not as a rule, *see infra* 50-52, but often enough that the Second Circuit's presumption will frequently botch the balancing.

This is a case in point. Wiley, with its warchest, army of lawyers, and what seemed to be a strong case on an issue worth a lot of money could plow ahead without regard to the prospect of having to pay attorney's fees, especially if it strategically chose a weak and impecunious defendant who was unlikely to retain a high-priced lawyer. The upside of establishing the legal rule Wiley sought outweighed the prospect of a fee award by several orders of magnitude. On the other hand, for an individual of modest means confronting a multinational corporation with a position anywhere from solid to marginal, the prospect of having to pay attorney's fees might be decisive. Any consideration of the incentive structure has to entail a nuanced balancing of the strength of

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John Wiley & Sons, Inc. v. Shumacher, No. 109-CV-02108, 2009 WL 3219590 (S.D.N.Y. 2009).

the claim, the cost of litigating it, and the potential recovery in the event of victory as well. That is fundamentally a case-by-case inquiry that should not be taken away from the district court by way of a one-size-fits-all test.

Because it pretermits that inquiry, the Second Circuit standard will inevitably prove an awful proxy for the claims and defenses Congress wanted to encourage. There is simply no reason to believe that meritorious claims or defenses are, as a rule, less worthy of encouragement when the losing party's position happens not to be totally ridiculous. In fact, close cases presenting novel issues may well be the best chance of advancing the purposes of the Copyright Act. And the parties in those cases may be the most in need of encouragement, since such cases present the greatest uncertainty, and hence highest risk. If Congress thought otherwise, it would have said so.

As we explain below (at 37-41), a far better proxy for congressional intent is the nature and effect of the claims and defenses themselves. Is the prevailing party's position the sort Congress wanted to encourage—that is, a win that advances the Act's purposes—or is it a minor triumph based on, say, localized facts or a technicality? If the result serves the Act's purposes, the prevailing party will have a solid foundation for a fee request, subject, of course, to the particular dynamics presented in that case. *Infra* § III.

D. *Martin v. Franklin Capital Corp.* does not support an objective reasonableness standard.

This Court's holding in *Martin v. Franklin Capital Corp.*, 546 U.S. 132 (2005), does not support the Second Circuit standard—and indeed, neither Wiley nor any court has ever suggested otherwise. Because it construes a fee-shifting provision with similar wording, however, we discuss it for the sake of completeness. *Martin* concerned 28 U.S.C. § 1447(c), which provides that district courts, when issuing remand orders for cases improperly removed from state court, "may require payment of just costs ... including attorney fees, incurred as a result of the removal." *Id.* at 134. Looking to the "large objectives" of the removal statute, this Court held that "[a]bsent unusual circumstances, courts may award attorney's fees under § 1447(c) only where the removing party lacked an objectively reasonable basis for seeking removal." *Id.* at 141.

Despite the similarities in the text, the distinction in purpose makes all the difference. Section 1447 focuses on a narrow, recurring issue: the propriety of a defendant's removal of a civil action from state court under 28 U.S.C. § 1447(a). The incentives Congress was considering were thus focused on one type of party and were entirely predictable. On the one hand, as the Court recognized, the point of § 1447(a) is to permit a defendant to remove a case if it wishes to, *Martin*, 546 U.S. at 140; on the other, a defendant could potentially use removal "as a method for delaying litigation and imposing costs on the plaintiff," *id.* The availability of fee awards under

§ 1447(c) is a mechanism to discourage removals taken for an improper purpose, without over-deterring litigants with a proper basis for removal. *Id.*

Section 505's aims are different and far broader. They focus, as *Fogerty* explains, not narrowly on one type of party raising one type of argument, but on all parties raising all manner of different claims and defenses under an Act that has an animating rationale all its own. To the extent *Martin* illuminates this case at all, it merely confirms that when a fee provision is otherwise silent as to its substantive standard, the standard must be set in a way that is sensitive to the "large objectives" of the relevant law. *Id.* at 141. This Court reasoned just so in *Fogerty* itself, where it declined to apply to § 505 the same substantive standard that applies to Title VII's fee-shifting statute. 510 U.S. at 520-25. All three provisions grant similarly flexible discretion, but because the "large objectives" of the relevant laws are different, the substantive standard guiding the discretion in § 1447(c) is different from that guiding § 505, which in turn is different from that guiding Title VII's fee provision.

III. A Fee Award Under § 505 Is Appropriate Where The Result Advances The Purposes Of The Copyright Act.

This Court should hold, as the Ninth and Eleventh Circuits do, that a fee award under § 505 is ordinarily appropriate where the prevailing party achieved a result that advanced the purposes of the Copyright Act—that is, advanced the goals of creation and dissemination of creative works. *See Fogerty II*,

94 F.3d at 555 ("[A]ttorney's fee awards to prevailing defendants are within the district court's discretion if they further the purposes of the Copyright Act and are evenhandedly applied."); *MiTek Holdings Inc. v. Arce Eng'g Co.*, 198 F.3d at 842-43 ("The touchstone of attorney's fees under § 505 is whether imposition of attorney's fees will further the interests of the Copyright Act, i.e., by encouraging the raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure 'that the boundaries of copyright law [are] demarcated as clearly as possible.'").

In evaluating a fee request under this standard, a district court should ask whether the result directly promotes these goals or meaningfully clarifies the Act's substantive provisions in a way that serves them. If so, the prevailing party will ordinarily have a basis for a discretionary fee award. The extent to which the result advances the Act's ends will vary from case to case. And the ultimate determination must be based on the totality of the circumstances, taking into account any equitable factors that are relevant and remaining at all times "faithful to the purposes of the Copyright Act." *Fogerty*, 510 U.S. at 534 n.19.

A. Section 505 must be applied evenhandedly to encourage meritorious claims and defenses that serve the "large objectives" of the Act.

1. The purposes-of-the-Act standard properly focuses on whether the result advanced the Act's twin goals of creation and dissemination.

"[C]opyright law serves public ends by providing individuals with an incentive to pursue private ones." *Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18 (2003). By definition, it exists "[t]o promote the Progress of Science and useful Arts." U.S. Const. art. I, § 8, cl. 8. As explained in *Fogerty*, "copyright law ultimately serves the purpose of enriching the general public through access to creative works." 510 U.S. at 527. But underlying the Copyright Act "is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors." *Mazer v. Stein*, 347 U.S. 201, 219 (1954). So the system works by balancing sometimes competing interests. On the one hand, it grants authors an entitlement—designed to encourage creation, for public benefit. On the other hand, it imposes limits on that entitlement—so as to enable dissemination, again for public benefit.

Meritorious copyright litigation can further the purposes of the Act in several related ways. It may do so directly, by resolving the parties' private dispute, where the result vindicates the proper level of copyright protection for particular works. If the cop-

yright holder earns a substantive win, the result establishes her right to profit, rewarding her creativity and reinforcing the incentive to create. *Eldred*, 537 U.S. at 785 n.18 ("[C]opyright law *celebrates* the profit motive, recognizing that the incentive to profit ... will redound to the public benefit by resulting in the proliferation of knowledge." (emphasis in original; quotation marks omitted)). If the accused infringer wins, the result clears the path to dissemination for the work, enlarging the public's entitlements with respect to creative work and encouraging the creation of more of it. *Fogerty*, 510 U.S. at 527 (explaining that Fogerty's defense "increased public exposure to a musical work that could, as a result, lead to further creative pieces"); *FM Indus., Inc.*, 614 F.3d at 339-40 ("A defendant who prevails in copyright litigation vindicates the public's interest in the use of intellectual property."). Both results, depending on the particulars of the case, may directly advance the Act's goals.

It is no surprise that Congress would want to encourage such outcomes. Because the copyright law's private entitlements ultimately serve public ends, *Fogerty*, 510 U.S. at 527, the impact of a substantive result goes beyond the private squabble. In the resolution of, say, a high-stakes contract dispute, the public stands to gain nothing. But in the copyright context, the public has an unusually high interest, too. *See Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (describing copyright law as "a balance of competing claims upon the public interest"). A meritorious claim informs would-be creators that their rights are enforceable and deters future

infringement; a meritorious defense, meanwhile, redounds to the public in the form of increased access to creative works.

The inverse is equally true—the decision not to litigate meritorious claims and defenses harms the copyright system as a whole, and hence the public. In the context of a high-stakes contract dispute, the public typically suffers little (and may well benefit) from a decision not to litigate. But when litigation becomes too costly for a copyright plaintiff to advance a meritorious claim, the Act's incentives depreciate. Similarly, if a defendant cannot afford to advance a meritorious defense and instead avoids litigation through an unnecessary license or nuisance settlement, it is not just that defendant who is out of pocket—the public loses, too, because the public's entitlement is artificially constricted.

A substantive copyright win will also advance the purposes of the Copyright Act by clarifying the Act's substantive contours. Again, this benefit is integral to the copyright law's public objectives. As *Fogerty* emphasized, "[b]ecause copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." 510 U.S. at 527

Demarcation can come in different ways. One is through litigation that, in one fell swoop, settles the interpretation of the Copyright Act's substantive provisions. *E.g.*, *Am. Broad. Cos., Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014); *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *Sony Corp. of Am. v.*

Universal City Studios, Inc., 464 U.S. 417 (1984). This case, of course, is a paradigmatic example—the result Kirtsaeng achieved through his efforts established the law of the land for a massively important issue concerning the limits of the Copyright Act. *Supra* 9-10. But just as often, "the process of demarcation occurs ... through repeated litigation of difficult issues." Peter Jaszi, *505 and All That—The Defendant's Dilemma*, 55 Law & Contemp. Probs. 107, 112 (1992); *e.g.*, U.S. Copyright Office, U.S. Copyright Office Fair Use Index, http://copyright.gov/fair-use. In either instance, prevailing norms are established only when prevailing parties have litigated them to judgment. "Settlements, whatever their value to the immediate parties, do not benefit the public at large by helping to mark the outer contours of copyright protection." *Id.*

Given what this Court said in *Fogerty*, all of the above should at this point be uncontroversial. The question becomes how to define a fee standard that serves the statute's ends. There is no simpler way to do so, no more obvious standard for achieving that goal, than a standard aimed directly at the Copyright Act's purposes: An award under § 505 is generally appropriate where the result the prevailing party achieved is of the sort Congress sought to encourage, i.e., the sort that furthers the purposes of the Act. Accordingly. in applying § 505, a court should ask whether the prevailing party's position either directly advanced the Copyright Act's goals by protecting incentives or promoting dissemination, or meaningfully clarified the Act's substantive contours. If so—and subject, of course, to the particulars of each

case—the prevailing party ordinarily will have established a basis for a discretionary fee award.

2. The extent to which a result advances the Act's substantive goals is a case-by-case determination.

To be clear: Under the proposed standard, not every win will automatically advance the purposes of the Copyright Act. There is no per se rule, presumption, or one-size-fits-all prescription. The standard is simply a way of focusing discretion. As such, it leaves the district court in a particular case free to decide the extent to which a particular result has directly advanced the Act's goals or clarified its contours, as well as the weight that result should be accorded in the analysis. Nevertheless, it would help the district courts immensely—and yield greater uniformity across like cases—if this Court were to address how a purposes-of-the-Act standard might view basic categories of results. *See, e.g.*, Jaszi, *supra*, at 122-26 (proposing a taxonomy of copyright defenses that might further the Act's purposes). The truth is some wins are better than others.

a. The cases most deserving of fees are likely those with results of seismic significance, such as the cases that determine the course of entire industries or classes of disputes. This Court's decisions are natural candidates—the *Aereos*, *Eldreds*, *Sonys*, and *Campbells*—but a result need not settle the law of the land to weigh heavily in favor of a fee award.

Mattel, Inc. v. MGA Entertainment, Inc., is instructive. Mattel sued MGA alleging that it owned

certain drawings and sculpts of "Bratz" dolls, and that the dolls MGA was selling infringed. 616 F.3d 904, 911 (9th Cir. 2010). Mattel won, but on appeal, the Ninth Circuit reversed the district court for granting overbroad copyright protection to the sculpt and for failing to filter out unprotectable elements of the drawings—holding essentially that Mattel was trying to lay claim to just about any doll with certain standard features. *Id.* at 914-16. The court of appeals remanded, and this time MGA won. The district court awarded MGA its attorney's fees under § 505. An award was appropriate, in its view, because MGA had advanced the purposes of the Act. By refusing to throw in the towel, "MGA [had] secured the public's interest in a robust market." *Mattel, Inc. v. MGA Entm't, Inc.*, No. CV 04-9049, 2011 WL 3420603, at *2 (C.D. Cal. Aug. 4, 2011). It had also clarified the Act's substantive contours: "MGA's contribution to the state of the law in the field of copyright ... cannot be understated; its failure to vigorously defend against Mattel's claims could have ushered in a new era of copyright litigation aimed not at promoting expression but at stifling ... competition." *Id.* The Ninth Circuit properly affirmed the award over the plaintiffs' insistence that the objective reasonableness of its claims foreclosed it. *Mattel, Inc. v. MGA Entm't, Inc.*, 705 F.3d 1108 (9th Cir. 2013).

Likewise on the more deserving end of the spectrum are various kinds of cases where the plaintiff or defendant succeeds in resolving some substantive question of broad applicability. Examples include the scope of copyright protection for a category of protected works, 17 U.S.C. §§ 101-02, the boundaries of

the exclusive rights, 17 U.S.C. § 106, or the availability of certain remedies (statutory damages, laches, etc.). Resolution of these sorts of issues will almost certainly have a direct impact on creative incentives or the scope of the public's entitlements with respect to creative works.

This case represents a paradigmatic example of a copyright win that advances the purposes of the Act in spades. Wiley and its fellow textbook publishers had aggressively advanced the position that the first sale doctrine did not apply to foreign-created copies—largely against specially selected individuals with limited means to fight back. *Supra* 6 & n.1. Before he was a prevailing party, Kirtsaeng litigated and lost, litigated and lost, and then finally litigated a third time—successfully—before a Supreme Court that had split 4-4 on the issue just a few years prior. This Court's opinion in Kirtsaeng's favor laid bare the extraordinary importance of its decision to various constituencies. Had Kirtsaeng given up at any point, the "disruptive impact [on those constituencies] of the threat of infringement suits," Pet. App. 55a, would have persisted.

Despite that, everything the courts below said about the matter is captured in the district court's 12 words: "[I]t is true that this litigation clarified the boundaries of copyright law." Pet. App. 18a. The Court of Appeals did not even mention it. *See supra* 10-11.

b. On the other side of the spectrum are claims or defenses with more localized significance. It may be that a plaintiff, in establishing substantial similarity

or defeating a fair use defense, for example, has meaningfully deterred infringement in a particular industry. One might imagine, for example, that the *Mattel* case just discussed would be an example had it come out the other way. Or it may be that the case involves nothing more than the application of settled law to a private dispute. The extent to which the result advances the Act's ends will likely depend on the scope of the court's decision on the merits, the identity of the parties, the nature of the work, the norms of the industry, and other factors peculiar to the case at hand.

Finally, there are marginal cases concerning, for example, copyright formalities or dispositive, non-copyright doctrine such as res judicata that seem unlikely to warrant a fee award to the prevailing party. *See Fogerty II*, 94 F.3d at 556 (suggesting lesser weight for "a technical defense such as the statute of limitations, laches, or the copyright registration requirements"). In such cases, one would expect that a stronger showing on other equitable factors would be required to justify a favorable exercise of discretion.

All of this ends, of course, where it started: There is no formula, no rigid rule, for applying the purposes-of-the-Act standard. In each case, the prevailing party will have to demonstrate how his position advanced copyright objectives, and the district court will have to weigh competing factors, with no thumb pressing artificially on either side of the scale.

B. A purposes-of-the-Act standard channels discretion without constraining it.

In determining the ultimate appropriateness of a fee award, a district court may, and indeed should, consider any equitable factor that is "faithful to the purposes of the Copyright Act," *Fogerty*, 510 U.S. at 534 n.19. The purposes-of-the-Act standard in no way limits district court discretion to do so.

1. Case law from the Ninth and Eleventh Circuits applying the purposes-of-the-Act standard confirms that the standard has not been applied to restrict district court discretion or artificially mandate a particular conclusion. If anything, it has been applied to *expand* the universe of relevant considerations, to reject resort to bright-line rules, and to ensure that "each case will turn on its own particular facts and equities," *Fogerty II*, 94 F.3d at 560.

Consider the treatment of *Fogerty* on remand. Plaintiff Fantasy, Inc. sued defendant Fogerty alleging that his song "The Old Man Down the Road" infringed another song (oddly, another song *he* had written earlier in his career but for which Fantasy owned the rights). *Id.* at 555. After this Court scuttled the dual standard, which the lower courts had applied to deny Fogerty his fees, the district court reexamined the matter and granted Fogerty's fee request. *Id.* at 556. It based this decision on several factors:

- It considered the effect of Fogerty's victory: He had "secured the public's access to an original work of authorship and paved the way for

future original compositions ... in [that] style and genre." *Id.* at 556.

- It analyzed the type of victory under the Act: "on the merits, rather than on a technical defense such as the statute of limitations, laches, or the copyright registration requirements." *Id.*

- It compared the stakes and cost of the lawsuit: "[T]he benefit conferred by Fogerty's successful defense was not slight or insubstantial relative to the costs of litigation." *Id.*

- It weighed incentives: "[N]or would the fee award have too great a chilling effect or impose an inequitable burden on Fantasy, which was not an impecunious plaintiff." *Id.*

- It also addressed fairness considerations: An award would "help restore to Fogerty some of the lost value of the copyright he was forced to defend." *Id.*

In its appeal to the Ninth Circuit, Fantasy "contend[ed] that the district court had no discretion to award fees ... because Fantasy conducted a 'good faith' and 'faultless' lawsuit upon reasonable factual and legal grounds." *Id.* at 556. The Ninth Circuit rejected that argument, and endorsed the district court's analysis. Its list of relevant considerations was capacious indeed. It did not at all reject the *Fogerty* footnote's factors—it specifically stated that a court could consider "culpability" but that it was not a "prerequisite to awarding fees." *Id.* at 558. Neither

did it endow a prevailing party's substantive victory with greater weight or centrality—it was careful to reject any such notion and to stress that courts should be sensitive to the sorts of considerations the district court had considered. *Id.* The Ninth Circuit's ruling thus reflects the proper mode of analysis under § 505.

MiTek Holdings, an Eleventh Circuit case, similarly illustrates how the purposes-of-the-Act standard at once broadens relevant considerations while channeling them towards the Act's purposes. 198 F.3d 840. In that case, the defendant prevailed and the district court awarded fees. *Id.* at 841. But its analysis was peculiarly narrow: It simply compared "the relative abilities of the different parties to pay for the requested attorney's fees," found that the plaintiff "appear[s] to be more than capable of funding an award," and thus found the "considerations of compensation tip the balance in favor of an award." *Id.*

The Eleventh Circuit reversed. It acknowledged that "compensation may, in appropriate cases, be considered"—just as *Fogerty*'s footnote says. *Id.* at 842. But it was not to be considered in the abstract; "in determining whether to award attorney's fees under § 505, the district court should consider not whether the losing party can afford to pay the fees but whether imposition of fees will further the goals of the Copyright Act." *Id.* at 843. The "touchstone," the Court explained, is "encouraging the raising of objectively reasonable claims and defenses." *Id.* at 842. It thus vacated and remanded for a more finely tuned evaluation consistent with that focus. *Id.*

2. Properly understood and applied, the purposes-of-the-Act standard is not a factor unto itself or a requirement that particular factors be applied or credited. It is a polestar that guides the application of the factors as a whole, ensuring that they remain "faithful to the purposes of the Copyright Act." *Fogerty*, 510 U.S. at 534 & n.19. Again, it is nearly impossible to identify in the abstract what factors might be relevant in a given case. *See Octane Fitness*, 134 S. Ct. at 1756 (explaining that applying the substantive exceptional case standard requires a "case-by-case exercise of ... discretion" based on "the totality of the circumstances"). As the above discussion suggests, certain kinds of considerations will tend naturally to be relevant to the inquiry:

Nature and quality of result. To begin with, many of the factors likely to be relevant will go towards assessing whether the result advanced copyright goals. As described above (at 41-44), a court will necessarily need to consider, for example, the extent to which the result settles a point of law, deters widespread infringement, or releases works into the public domain. Similarly, in many cases a court will likely have to consider the nature and magnitude of the specific relief obtained. *E.g.*, *Omega S.A. v. Costco Wholesale Corp.*, 776 F.3d 692, 695-96 (9th Cir. 2015) (identifying "degree of success obtained" in list of considerations).

Strength of substantive positions. Courts may also in many cases find the strength of each party's substantive position relevant. To start with the losing party, *Fogerty*'s footnote specifically includes "frivolousness" and "objective unreasonableness (both

in the factual and in the legal components of the case)" in its nonexclusive list of potentially relevant considerations. *Fogerty*, 510 U.S. at 534 n.19 (quoting *Lieb*, 788 F.2d at 156). Certainly where the losing party has advanced frivolous positions, a fee award has traditionally been and will continue to be appropriate. *E.g.*, *Twentieth Century Fox Film Corp. v. Entm't Distrib.*, 429 F.3d 869, 875 (9th Cir. 2005).

The position of the prevailing party at the start of the litigation is also relevant. Think of it as a degree-of-difficulty factor. A party who overcame a large body of precedent, or who won a case that others had lost, could properly be viewed as more worthy of fees than a party who had the wind at his back.

Motivation. Also relevant will be the parties' motivations, another *Fogerty* factor, 510 U.S. at 534 n.19. *E.g.*, *Twentieth Century Fox*, 429 F.3d at 875 (noting "bad faith" motivation). This factor permits courts to evaluate whether a party's conduct suggests the earnest desire to protect its interests, or instead a more abusive end, such as using costly litigation to create a barrier to entry for an upstart competitor, *e.g.*, *Octane Fitness*, 134 S. Ct. at 1754-55 & n.4, or seeking a nuisance settlement.

Litigation incentives. Courts should ordinarily consider the full range of litigation incentives in deciding whether a fee award will ultimately advance the goals of copyright law. *Supra* 30-33. For example, in considering whether a fee award would unduly chill future good-faith claims, a court may consider the availability of a damage award or valuable injunctive relief, which might overcome the risk of an adverse

fee award. *Assessment Techs.*, 361 F.3d at 436. Conversely, the prospect of a huge damages award could lead many defendants to abandon meritorious defenses, and the availability of fees may spell the difference between throwing in the towel and damning the torpedoes.

Relative resources. The relative resources of the parties may also be relevant. A court may determine, for example, that a plaintiff or defendant who has faced down a sophisticated, moneyed adversary is more deserving of fees, since such parties will ordinarily confront extreme pressure to settle rather than battle a juggernaut.

A district court may properly consider each of these factors, and potentially more in light of case-specific considerations, in making a case-by-case attorney's fees determination under § 505.

IV Other Standards Applied By The Courts Of Appeals Are Less Suitable.

The courts of appeals have adopted two other standards. Neither is quite as flawed as the Second Circuit standard, but neither can match the purposes-of-the-Act standard in its faithfulness to both the text of § 505 and the large objectives of the Act.

A. The Fifth and Seventh Circuits improperly presume the prevailing party's entitlement to fees.

Both the Fifth Circuit and Seventh Circuit have adopted a strong presumption that the prevailing

party is entitled to fees. The Fifth Circuit has held that "[a]lthough attorney's fees are awarded in the trial court's discretion [in copyright cases], they are the rule rather than the exception and should be awarded routinely." *Hogan Sys., Inc. v. Cybresource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998). Meanwhile, the Seventh Circuit has adopted an array of presumptions based on likely party incentives in certain types of cases. It has said that "[t]he presumption in a copyright case is that the prevailing party ... receives an award of fees." *Eagle Servs. Corp. v. H2O Indus. Servs., Inc.*, 532 F.3d 620, 625 (7th Cir. 2008). It has also said "by way of refinement of the *Fogerty* standard, that the prevailing party in a copyright case in which the monetary stakes are small should have a presumptive entitlement to an award of attorneys' fees." *Assessment Techs.*, 361 F.3d at 437 And as a corollary to this presumption, it holds that "[w]hen the prevailing party is the defendant, who by definition receives not a small award but no award, the presumption in favor of awarding fees is very strong." *Id.*

The Fifth Circuit standard is undoubtedly even-handed, and it properly recognizes that § 505 is not reserved for the "exceptional case." Meanwhile, the Seventh Circuit is right in theory to focus on the parties' relative incentives, rather than defaulting, as the Second Circuit does, to a view of incentives that inherently favors plaintiffs. Presumptions like these are nevertheless inconsistent with *Fogerty*'s admonition that fees should not be awarded as a matter of course, as well as this Court's more recent reaffirmation in *Octane Fitness* that the fee inquiry is inherently a case-by-case determination. This Court should

therefore reject the Fifth and Seventh Circuit approaches.

B. The Third, Fourth, and Sixth Circuits' standard is rudderless and will lead to inconsistent results.

Finally, the Third, Fourth, and Sixth Circuits call for an unguided consideration of all relevant factors. *Lieb*, 788 F.2d at 156 (identifying four factors cited in *Fogerty*); *Bond v. Blum*, 317 F.3d 385, 397 (4th Cir. 2003) (endorsing use of *Fogerty* factors as well as "any other relevant factor presented"); *Thoroughbred Software Int'l, Inc. v. Dice Corp.*, 488 F.3d 352, 361 (6th Cir. 2007) ("This Court uses [the] four non-exclusive [*Fogerty*] factors ...."). This standard is not so much wrong as it is incomplete. We agree, as we have said (at 48-50), that courts should consider any equitable factor that may be relevant to the inquiry. *Fogerty* says as much. 510 U.S. at 534 n.19. But *Fogerty* also directs courts to apply those factors "in light of the considerations ... identified" elsewhere in the opinion, and to be "faithful to the purposes of the Copyright Act." *Id.* at 534 & n.19 (quotation marks omitted).

Section 505's discretion is best exercised with that touchstone in mind. Indeed, in circuits where there is no such reference point, courts tend simply to march through the factors listed in *Fogerty*'s footnote 19 without considering any additional factors that may be related to the purposes of the Act. A substantive standard explicitly tied to advancement of the objectives of the Copyright Act will ensure that courts in making attorney's fees determinations adhere to

the purposes of the Copyright Act, and will discourage "different results ... in situations that cannot be differentiated in policy," *Albemarle Paper Co.*, 422 U.S. at 417

CONCLUSION

This Court should reverse the judgment of the court of appeals.

Respectfully submitted,

Sam P Israel
Eleonora Zlotnikova
SAM P ISRAEL, P.C.
1 Liberty Plaza
35th Floor
New York, NY 10006

E. Joshua Rosenkranz
Counsel of Record
ORRICK, HERRINGTON & SUTCLIFFE LLP
51 West 52nd Street
New York, New York 10019
(212) 506-5000
jrosenkranz@orrick.com

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